
THE STRUCTURE OF THE STORE ASSORTMENT – A DETERMINING COMPONENT OF THE COMMERCIAL UNIT PROFITABILITY

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Abstract:

Setting up an assortment involves a complex choice in order to achieve a defined market share, to make the assortment adaptation to customer needs, optimizing the space available in a commercial unit, using the space and the commercial establishment more profitable. Choosing the products will be performed differently, depending on the area of point of sale and, and especially according to the vocation of the store: neighborhood shop or multi specialized store.

Keywords: assortment, spread, consumer demand, distributors

The question put up in sets by product category is even more important and difficult as innovations is constant and often rapid concerning the manufacturers, respectively as all points of sale have straight existing limits, whatever the store area is. It is difficult to imagine that every new product replaces an older one, fact which would induce further consequences for the brand, as well as for the store chains, and so will have repercussions on their profitability. It is also difficult to individualize extensions of linear demand, for at least 3 reasons: for merchandising reasons, for legal reasons - that are limiting in some countries in a considerable manner extending of the extension of shops and sales areas and financial reasons - investment in business equipment is relatively difficult, and all for a more and more uncertain profitability.

Currently, whatever the circuits or the selling formats are, the distributors are the ones who decide in terms of sorts of merchandise. Thus, a balance must be found between the following factors:

- to respond better to customers demand;
- structuring deals that meet their marketing strategy and differentiation; integration and compliance of the market and product strategy of the manufacturers;

- implementation of an objective picture regarding choice, whatever the size of their selling points;
- ensure of profitability through the tools of action in the competitive environment.

All these elements are important remaining valid for any of the categories concerned. Complexity evolves in response to variables such as a market as significant regression in terms of consumption, a market with a strong industrial innovation, a market that is held down by competitive pressure, either by consumer demand.

Therefore, the approach must be put up in sets from a simple and rigorous methodology and, at least as important, it is essential that distributors show a close collaboration with manufacturers.

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In a range, an assortment or family of products, not all products play the same role. There can be distinguished five main roles: *the leading product* on which the entire set of products is based, that affords high revenues and an important spread; *the appeal product*, which has the function to attract new customers through its low price; *the regulatory product*, which aims to absorb fixed costs and to offset fluctuations of leading product sales; *the product that prepares the future* that has a transitional role and is intended to replace the leader; *the tactical product* that allows a reaction to the conditions of the competition.

To manage a wide variety or an assortment implies choosing its size between short or long. With regard to a short assortment, this has the following advantages: concentrating the efforts on a small number of products - without dispersion of sellers and focused advertising, reducing storage costs, administration, and better management of inventories. As disadvantages we can mention: limited choice for the customer, company's vulnerability - in the actions of competition, before a market downturn, before a change in consumer needs, difficulties in replacing items. Conversely, long range (assortment) offers the following advantages: the opportunity to exploit more segments; assortment management around complementary products, diversity; limited vulnerability. In the category of disadvantages we can mention: the risk of dispersion of effort, higher cost of storing, difficult and complex managing, risk of cannibalization of a product by another.

Making an assortment plan takes into consideration both chain stores and the business unit, according to the existing degree of autonomy. The range plan consists of a detailed descriptive of items proposed to consumers during a given period.

Two major reasons explain why the assortment's dynamic equilibrium is always threatened: the number of products existing on the markets is increasing. New

supply sources appear in the entire world, while the regular suppliers are engaging in an innovation race, in the form of technical innovations or the commercial establishment of new brands; the behavior of the consumer is evolving too. His expectations, his desires are diversifying. So the merchant has to adapt his offer to this evolution; sometimes he is forced to impose new products or to enlarge the choice among the goods possessed. The assortment is represented as a lens that can focus on a set of three joint universes: a universe of products, a universe of customers and a universe of selling price. We can estimate that the quality of the assortment represents the optimum level of focus on the elements common to all three universes and that the merchant may obtain in developing its assortment. The merchant tries, on an ongoing basis, to adjust all three universes with his assortment.

The quality of the assortment appears as a quest at all times where the three universes are growing or retracting according to their own modalities, sometimes together, sometimes separately. The term assortment includes the idea of assembling products, but it also refers to a harmony within this arrangement. It is therefore important to distinguish between different parts of the content of an assortment. Satisfying permanently the expectations of customers mean: the assortment is limited, balanced and sufficient, the quality is good; testing products are part of the assortment, in competition with other products; each article of the assortment allows a high volume of sales and a rapid turnover in its family; dissatisfied customers are reimbursed. Answering quickly to the changing expectations of customers and to the local data of each department, the assortment has to change frequently as part of the national structure of assortment and the strategy of the store. In order to facilitate customer's choice, the goods are the decoration of the store and for each practice; the choice is between a limited numbers of articles having different prices.

A store, whatever its size and sector of activity, presents a various choice of different goods: food products, textiles, bazaar articles in a hypermarket; jackets, suits, trousers, a clothing specialist. Given the diversity of needs of the clientele, merchants want to be able to submit the goods to a few principles that facilitate the classification in different groups of sale or departments, and then to help refine the assortment in the interior of the cells of sale.

In this domain, the vocabulary is still not set and it may still be a part of arbitrariness in the definitions. To take an overview of the different levels of classification and to propose a terminology, let us begin by observing the clothing department or a store for example.

The products: in general, an assortment is a reunion of particular products. According to the Commercial Dictionary, "a good becomes a product if it was obtained and researched to answer a need". It is then likely to be sold under a name that individualizes the condition and sometimes even the quality. For example: men's shirts on the shelves of clothing. *The families or category of products:* According to the definitions of the Academy of Commercial Sciences, every product includes several families of products. This phrase designates all products that could answer to the "same comprehensive purpose". For example: the kitchen stools. *The models:*

According to the same dictionary, they are distinctions by materials, by cutting or by drawing. For example: traditional robes or wooden kitchen stools. *The series or reference*: It generally denotes the order of a given good in assorted sizes if necessary. For example, ten navy Hugo Boss shirts, reference "World Cup", assorted sizes. *The piece or article*: It is a sale unit of a particular set in a given size. For example, the same navy Hugo Boss shirt in the average size. Such a decoupage of the assortment within a department is integrated in a larger structure which depends, in definitive, on the vocation and the organization of the store. *The characters of an assortment*: The assortment is generally defined thanks to several properties. *The magnitude*: It measures the number of functions that can be met thanks to the products offered by the merchant. It is the number of departments and families that expresses the diversification of goods by function, in other words the magnitude, since it lists all the products shown on the one hand and, secondly, distinguishes, for each product, possible usages. For example: a costume to work. *The size*: The number of models of a given family of products indicates the size or narrowness of this category of goods. Such a dimension measures, in short, the different needs that are fulfilled by the assortment. *The depth*: It expresses the number of references by model and the number of articles by reference. This means that for each model, there is a choice more or less rich in colors, shapes, designs or addressing sizes. Therefore, the selection of a store is small or large, according to the number of departments or families of products featured in the store; it is wide or narrow, depending on the number of models for a given family - brands, packaging, models; it is profound, or otherwise, superficial according to the surface of choice for references or articles to satisfy every need.

About the factors that influence the characteristics of the assortment, we distinguish those that originate from the same firm, from those that are linked with those products.

- *The size of the store*; the size, width and depth of the assortment depend on the extent of the sales area, the linear length, volume storage cabinet, in short the size of the store.
- *Financial policy and the policy of stock*; decisions on the size and composition of the assortment depend on the political stock. An extension of the breadth and assortment by adding a new model, or an increase in depth of several references designed to expand the number of sizes offered a clientele, never fails to increase the investment goods. If the increase in stock due to the extension of the assortment exceeds the threshold set by the Financial Officer, the measure is rejected.
- *The policies brand*; the merchants are obliged to take into account the brands offered by producers. Ignoring these goods will surely condemn the store to lose some of the power attraction exerted by the brands. In addition, the presence in a store of well-known brands consolidates the loyalty of customers; they know they will find their favorite brands each time they are in

the store. However, manufacturers no longer have a monopoly over the exploitation of brands: major retailers have their own distribution brands.

- *The service rate*; there are two measures of service rate: a) in absolute terms, it is for a family of products, to report the number of references suggested by a trader to the total number of references presented on the market. The service rate measured in absolute value varies between 0% and 100%. However, the calculation in itself does not make much sense, since practically no merchant is able to offer all references to all manufacturers. A retailer makes a pre-choice that depends on its marketing strategy; b) it is based on the finding that a small number of references provide the bulk of sales.

The type of goods sold and the life cycle of products influence the tactical decisions of the assortment. The nature of products influence the way these products are stored. For example, regarding the assortment we can make the following distinctions:

- The convenience goods, those who meet special needs as for example food, hygiene products or maintenance products are purchased by the clientele without any comparison. What matters to the public is to find in the store, an assortment broad enough to meet all their daily needs. However, a rich choice in depth is superfluous, since customers compare few articles. The purchase process is becoming a routine and the role of trademarks is fundamental.
- The shopping goods are purchased by consumers after a rigorous selection process. These are clothes, fashion items, furniture or electrical equipment. The sale of these goods requires a profound choice, plenty of models, sizes, colors and prices. In most cases, brands play only a very minor role in the acquisition of these articles, the decision taken being a result of a more complex process.
- The specialty products possess particular characteristics - especially on a technical level - photo hardware, hi-fi system, diving instruments. The consumer will decide only after comparing different goods. These expensive items, demanding precise and detailed information, are distributed by specialists who offer the deepest possible choice.

The product life cycle may be "permanent" or "seasonal". Certain products are so-called permanent because managers keep them in their assortment throughout the years, their consumption being regular. These products constitute the basic, where the number of references remains constant over time, even if the level of sales is evolving. These permanent goods are eliminated only when producers are removing their own lines or when their distribution is not profitable for the merchant: they are in any way replaced by similar products.

Seasonal products have a very brief life cycle. They are an element of attraction, for clients pursuing new products. In addition, these goods encourage impulse purchases because of the surprise effect they produce on visitors. But

seasonal items pose a double problem to the merchant: the optimal mix when the season is in full swing and the assortment of end of the season that must be sufficiently limited so as not to burden the store with pointless “junk”. Permanent assortments are rare or on the contrary entirely seasonal. There are however two major groups of so-called seasonal goods: *the clothing* for which two assortments are provided: “spring-summer” and “autumn-winter”; the sale of temporary products, those whose demand is focused on a brief period: white in January, gardening and camping from April to June, stationery items in August and September, and toys in November and December. Throughout the years, these products occupy a limited place because the store usually offers a limited assortment. But during the few weeks of promotion the assortment is developing. Therefore, it should provide a permanent choice and a supplementary assortment during the peak period.

Despite the care with which a distributor has made the top choice of products, the range becomes obsolete fairly quickly as far as the supply and demand that both evolve over time. Regarding the manufacturers, they can always propose new products to the distributors; they come either from innovations in place through specialized departments of the manufacturers or they are products that already exist, but are found on a broad market for new types of stores.

Moreover, some products disappear from the range because the manufacturer doesn't produce them anymore, or the distributor wouldn't sell them because the results obtained do not justify allocation of investment in stock and linear.

In general, however, it shows that the number of references, articles present in shops is getting greater. This increase is linked to the emergence of new items in existing categories, the development of new categories of items, the proliferation of packaging formats and the formation of markets more developed geographically. Moreover, commercial un-specialization has resulted in many grocery stores, selling trivial non-alimentary pre-packaged products. Regarding the consumer demand for a shop, in this case the situation changes quantitative and qualitative: new constructions in the commercial attraction zone, changing in the traffic and parking conditions, the opening made by a competitor, all are many harmful elements.

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